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## Bangladesh

### Cotton and Products

### Annual

### 2005

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**Report Highlights:**

Cotton imports in MY 2005/06 are forecast to increase marginally to 375,000 tons, with the US share at 16 percent. Although Bangladeshi buyers are ready to pay a reasonable premium for US raw cotton due to its quality and reliability, high freight costs and longer delivery periods reportedly are constraining factors.

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## SECTION I: SITUATION AND OUTLOOK

### Production

Assuming a normal monsoon and minimal pest infestations, the MY 2005/06 (Aug-Jul) cotton production is forecast at 15,000 tons from 50,000 hectares, a recovery over the flood-damaged MY 2004/05 production of 13,660 tons from 43,600 hectares. The MY 2004/05 production consisted of 12,730 tons medium-staple American type and 930 tons short staple highland cotton (locally called "Comilla"). The absence of high-yielding seed varieties and a lack of institutional support has marginalized cotton production in Bangladesh, limiting it to only four to seven percent of the country's total cotton consumption. Production of man-made fibre (MMF) is forecast to increase modestly to 1,650 tons from 1,590 tons in MY 2004/05. The cost of blended yarn in Bangladesh is higher than in India and Pakistan due to high import tariffs on Viscose Staple Fibre (VSF) and other MMFs.

The MY 2005/06 yarn production is forecast at 370,000 tons and fabric production at 1.36 billion meters. The spinning sub-sector, a vital component of the backward linkages to the readymade garments (RMG) sector, has been witnessing healthy growth over the past five years, and is estimated to register 16 percent growth in MY 2004/05 to produce 340,000 tons of yarn. The MY 2004/05 fabric production is estimated at 1.32 billion meters, with a greater utilization of locally-produced yarns.

The small-scale handloom textile industry, with an estimated production of 680 million meters of fabric in MY 2004/05 (40 percent of the total domestic requirement), dominates the weaving sub-sector. It currently supplies about 15 million meters of checkered fabrics to the export-oriented RMG industry. The country's textile industry, the largest industrial sub-sector, provides employment to about 4 million people (including 1.8 million in the RMG industry), accounts for 5 percent of the country's GDP, 40 percent of manufacturing value addition, and 75 percent of total foreign exchange earnings. In FY 2003/04 (July-June), the export-oriented RMG units earned \$5.7 billion, 64 percent from the European Union (EU), 29 percent from the United States, and 4.5 percent from Canada. The RMG export earnings and structure of the textile sub-sector are shown in Tables 9 and 10, respectively.

### Consumption

Cotton consumption in MY 2005/06 is forecast at 388,200 tons, compared with 376,100 tons in MY 2004/05, reflecting some new spinning mills coming into operation. The increasing demand from the rapidly growing spinning sub-sector fuels cotton consumption. Cotton yarn consumption in MY 2005/06 is forecast to increase by five percent to 590,000 tons, and fabric consumption by two percent to 3.92 billion meters.

Although the new generation mills are capable of supplying standard quality yarns and fabric for the export-oriented RMG industry, the major concern of the sector is that prices of fabric from Pakistan and India are 6 to 20 percent cheaper than domestic supplies. Furthermore, local fabric faces tough competition from fabric imported under back-to-back letters of credit, which is leaked into the domestic market in substantial quantities.

### Trade

MY 2005/06 cotton imports are forecast to increase marginally to 375,000 tons due to sizeable carry-over stocks. The growing demand from the spinning sub-sector led to 11 percent growth in MY 2004/05 cotton imports, estimated to end at 370,500 tons. The Commonwealth of Independent States (CIS), with a market share of 39 percent, continues to be the principal supplier of raw cotton, due to its low price and transportation cost and

shorter delivery period. The United States maintained its share at around 15 percent by virtue of its high quality cotton and good business relationships with Bangladeshi buyers. Other major suppliers are Australia, Sudan, Egypt, Brazil, Pakistan, and India.

Cotton yarn imports in CY 2004 dipped by three percent to an estimated 232,000 tons, mainly due to greater availability of local yarns. Imports in CY 2005 are forecast to slide further to 220,000 tons. India continues to be the principal supplier, with a market share of 64 percent.

In spite of higher domestic production, fabric imports in CY 2005 are forecast to increase marginally to 2.48 billion meters from the estimated 2.45 billion meters in CY 2004, due to relatively low carry-over stocks and the growth in domestic demand. China remains the principal supplier, with an import share of 75 percent in CY 2004. To meet the country's WTO obligations, import restrictions on 13 category of fabric, including silk and silk woven, grey, jeans, 85 percent synthetic fibre, neat, and nylon satin fabric were removed in January 2005.

### Marketing

Bangladesh is almost entirely dependent on imports to meet its rapidly growing cotton demand. Forty percent of the raw cotton imports are meant for the RMG sector. Bangladesh spinning mills prefer US raw cotton due to its superior quality, supply reliability, and low wastage, compared to cotton from other origins. Although Bangladeshi buyers are ready to pay a reasonable premium for US raw cotton, high freight costs and longer delivery periods are reportedly constraining factors. However, due to the modernization of the spinning sub-sector and the Cotton USA programs to establish relationships between Bangladeshi buyers and the US suppliers, the US share in the Bangladeshi imported cotton market is gradually improving.

RMG exports from Bangladesh reportedly attract an average 17 to 22 percent import duty in the United States, whereas Sub-Saharan African and Caribbean exports enjoy duty-free market access under the US Trade Development Act - 2000 (TDA-2000). Industry leaders argue that the same treatment should be extended to Bangladesh, as it is a Least Developed Country. GSM-102 and 103 credit guarantee schemes, which are currently offered to Indian and Pakistani buyers, would facilitate increased Bangladeshi purchases of U. S. raw cotton.

The duty structure of raw cotton, yarn, and fabric imports is shown in Table 8. The export-oriented yarn and fabric imports enjoy duty drawback provisions. The cash incentives for the export-oriented textile sector, a government measure to support its growth, currently at five percent of the export value, will be phased out by July 1, 2005. However, industry leaders are exhorting the government to increase the cash incentive limit for exports to at least 15 percent, and to provide other subsidies to weather the competition posed by neighbouring countries in the post-Multi Fibre Agreement era.

Despite substantial growth in backward linkage industries, Bangladesh still has a sizeable shortfall in fabric and yarn production, which limits RMG export earnings. The Bangladesh Textile Mills Association and the government estimate that, in order to reach the target export earning of \$10 billion by the year 2010, Bangladesh needs to set up an additional 45 spinning mills, 82 weaving mills, 81 knitting and knit-processing plants, and 51 woven-processing plants, requiring an additional investment of \$2.7 billion.

## SECTION II: STATISTICAL TABLES

Table 1: Commodity, Cotton, Metric Tons, PSD

PSD Table							
Country:	Bangladesh						
Commodity:	Cotton						
		2003		2004		2005	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Aug-02		Aug-03		Aug-04	(MONTH/YEAR)
Area Planted	50000	50000	50000	49640	0	50000	(HECTARES)
Area Harvested	50000	49118	50000	43600	0	50000	(HECTARES)
Beginning Stocks	67060	67060	67495	68495	0	76555	METRIC TONS
Production	13934	14934	15241	13660	0	15000	METRIC TONS
Imports	335299	335299	370135	370500	0	375000	METRIC TONS
<b>TOTAL SUPPLY</b>	416293	<b>417293</b>	452871	<b>452655</b>	0	<b>466555</b>	METRIC TONS
Exports	0	0	0	0	0	0	METRIC TONS
USE Dom. Consumption	348362	348362	370135	375000	0	387000	METRIC TONS
Loss Dom. Consumption	436	436	1089	1100	0	1200	METRIC TONS
TOTAL Dom. Consumption	348798	348798	371224	376100	0	388200	METRIC TONS
Ending Stocks	67495	68495	81647	76555	0	78355	METRIC TONS
<b>TOTAL DISTRIBUTION</b>	416293	<b>417293</b>	452871	<b>452655</b>	0	<b>466555</b>	METRIC TONS

Table 2: Commodity, Cotton, 480 lb bales, PSD

<b>PSD Table</b>							
<b>Country:</b>	Bangladesh				Conversion	0.004593	
<b>Commodity:</b>	<b>Cotton</b>						
		<b>2003</b>		<b>2004</b>		<b>2005</b>	UOM
	Old	New	Old	New	Old	New	
<b>Market Year Begin</b>		37469		37834		38200	(MONTH/YEAR)
Area Planted	50000	50000	50000	49640	0	50000	(HECTARES)
Area Harvested	50000	49118	50000	43600	0	50000	(HECTARES)
Beginning Stocks	308	308	310	315	0	352	1,000 480lb bales
Production	64	69	70	63	0	69	1,000 480lb bales
Imports	1540	1540	1700	1702	0	1722	1,000 480lb bales
<b>TOTAL SUPPLY</b>	1912	1917	2080	2079	0	2143	1,000 480lb bales
Exports	0	0	0	0	0	0	1,000 480lb bales
USE Dom. Consumption	1600	1600	1700	1722	0	1777	1,000 480lb bales
Loss Dom. Consumption	2	2	5	5	0	6	1,000 480lb bales
TOTAL Dom. Consumption	1602	1602	1705	1727	0	1783	1,000 480lb bales
Ending Stocks	310	315	375	352	0	360	1,000 480lb bales
<b>TOTAL DISTRIBUTION</b>	1912	1917	2080	2079	0	2143	1,000 480lb bales

Table 3: Commodity, Cotton, Import Trade Matrix

Import Trade Matrix			
Country:	Bangladesh	Units:	Metric tons
Commodity:	Cotton		
Time period:	Aug-Jul		
Imports for	2003		2004
U.S.	50000	U.S.	60000
Others		Others	
CIS	137000	CIS	144000
Africa	40000	Africa	40000
Australia	24000	Australia	25000
South America	22000	Pakistan	30000
Pakistan	28000	South America	20000
India	8000	India	24000
Total for Others	259000		283000
Others not listed	26299		27500
Grand Total	335299		370500

Table 4: Commodity, Cotton Yarn, Import Trade Matrix

Import Trade Matrix			
Country:	Bangladesh	Units:	Metric tons
Commodity:	Cotton Yarn		
Time period:	Jan-Dec		
Imports for	2003		2004
U.S.	0	U.S.	0
Others		Others	
India	175000	India	148000
Pakistan	18000	Pakistan	22000
Indonesia	8000	Indonesia	13000
Thailand	12000	Thailand	16000
Taiwan	5000	Taiwan	8000
Total for Others	218000		207000
Others not listed	22000		25000
Grand Total	240000		232000



Table 5: Commodity, Fabrics, Import Trade Matrix

Import Trade Matrix			
Country:	Bangladesh	Units:	Mil. Meters
Commodity:	Fabric		
Time period:	Jan-Dec		
Imports for	2003		2004
U.S.	0	U.S.	0
Others		Others	
China	1848	China	1840
Pakistan	145	Pakistan	146
India	237	India	238
Indonesia	20	Indonesia	20
Thailand	70	Thailand	74
Total for Others	2320		2318
Others not listed	130		130
Grand Total	2450		2448

**Table 6: Area and Production of Raw Cotton**

YEAR	AREA HARVESTED (Hectares)	PRODUCTION	
		Bales*	Tons
2000-01	29,100	40,500	7,364
2001-02	51,186	83,800	15,234
2002-03	47,640	74,640	14,323
2003-04	49,118	82,140	14,934
2004-05	43,600	75,100	13,660

\*1 bale = 400 lbs.

Source: Cotton Development Board (CDB)

**Table 7: Production and Consumption of Yarn and Fabrics**

Years	Production		Consumption	
	Yarn (‘000’ tons)	Fabrics (Mill. Meters)	Yarn (‘000’ tons)	Fabrics (Mill. Meters)
2000/01	174	1,180	495	3,675
2001/02	192	1,190	500	3,690
2002/03	275	1,230	525	3,740
2003/04	294	1,270	532	3,780
2004/05	340	1,320	564	3,840

Sources: Bangladesh Textile Mills Association (BTMA), Bangladesh Garments Manufacturers and Exporters Association (BGMEA), and Ministry of Textiles, GOB

**Table 8: Duty Structure of the Textile Sector**

Items	Import Duty	VAT	Advance Income Tax	Development Surcharge	License Fee LF	Total
Raw Cotton	-	-	-	-	-	-
Man-made Fibre	-	15%	3%	2.5%	2.5%	23%
Yarn	15%	15%	3%	2.5%	2.5%	38%
Fabric	25%	15%	3%	2.5%	2.5%	48%
Starch/Glue/Gum	7.5%	15%	3%	2.5%	2.5%	30.5%

Source: National Board of Revenue (NBR)

**Table 9: Bangladesh Garment Export Data**

Fiscal Year	Million \$	Year-to-Year Growth (%)
1990-91	866.82	-
1991-92	1182.57	36.43
1992-93	1445.02	22.19
1993-94	1555.79	7.67
1994-95	2228.35	43.23
1995-96	2547.13	14.31
1996-97	3001.25	17.83
1997-98	3781.94	26.01
1998-99	4019.98	6.29
1999-00	4349.41	08.19
2000-01	4859.83	11.74
2001-02	4583.75	-5.68
2002-03	4912.00	7.16
2003-04	5686.00	15.77

Source: Export Promotion Bureau (EPB)

**Table 10: Structure of the Textile Industry in Bangladesh**

<b>Particulars</b>	<b>Unit</b>	<b>Quantity</b>
Spinning Mills (Private + Public)	No	202
Spindles (Private + Public)	No	4,334,796
Rotors (all in Private Sector)	No	90,000
Capacity of Annual Production of Yarn	Kg	500,000,000
Oven Mills (Composite & Specialized)	No	1,343
Annual Capacity of Oven Fabric Production	Meter	1,000,000,000
Knit & Knit Dyeing Mills	No	446
Annual Capacity of Knit Fabric Production	Meters	1,400,000,000
Dyeing, Printing and Finishing Mills	No	291
Annual Processing Capacity	Meter	1,000,000,000
Ready Made Garment Units	No	3,800
Annual Production Capacity of RMG	Dozen	215,000,000

Sources: Bangladesh Textile Mills Association (BTMA)